



# **MAMUSA LOCAL MUNICIPALITY DRAFT TARIFF POLICY 2020- 2021**

## 1. INTRODUCTION

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA). In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

## 2. PURPOSE

One of the primary functions of Mamusa local Municipality is to provide services to the people residing within its municipal area. The funding of these services is made possible by levying property rates, charging for services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided. They may be set in such a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidise other non-economical services.

## 3. DEFINITIONS

In this policy:

**“municipal area”** means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

**“municipal council”** means a municipal council referred to in section 157 of the Constitution and for this by-law includes a municipal local council and a municipal district council, as the case maybe;

**“poor households”** means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it; Also means those households in the municipal area living in property with a municipal property valuation under R30 000 and earn less than R1560 per month.

**“tariff policy”** means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);

**“the Act”** means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA)

## 4. OBJECTIVE

The objective of the tariff policy is to ensure that:

- The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.
- The Municipal services are financially sustainable, affordable and equitable.
- The needs of the indigent, aged and disabled are taken into consideration.
- There is consistency in how the tariffs are applied throughout the municipality and;

- The policy is drawn in line with the principles as outlined in the MSA No 32 of 2003
- To ensure that the municipality, in levying of fees for services provided shall at all times take into consideration tariffs applicable elsewhere in the economic region impact which its own tariffs have on local economic development.

## 5. PRINCIPLES

**In terms of S74 (2) of the Municipal Systems Act of the following principles should at least be taken into account when formulating a Tariff Policy,**

- The users of municipal services should be treated equitably in the application of tariffs.
- As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- All households, with the exception of the poor (indigent), should pay the full costs of services consumed. Poor households must have **access to at least a minimum** level of basic services through:
  - Tariffs that cover the operating and maintenance costs,
  - Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or
  - Any other direct or indirect method of subsidization of tariffs for poor households.
- Tariffs must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.
- Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- Provision may be made in appropriate circumstances for a surcharge on the tariff for a service.
- Provision may be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users.
- The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.
- The extent of subsidization of the poor households and other categories of users should be fully disclosed.
- The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region for the following four major services;
  - ✓ Electricity, Water, Sewerage and Refuse
- The municipality differentiates between the following categories of users with regard to tariffs which it levies;
  - ✓ Residential, Business, Industrial and Government consumers

In terms of S74 (3) of the MSA a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section, Section 75 (1) of the MSA provides for the municipal council to adopt bylaws.

## **6. CLASSIFICATION AND PRICING STRATEGIES OF SERVICES**

There are basically two categories of municipal services (i.e. trading, rate and general services) which are discussed as follows:

- In determining the tariffs which must be charged for supply of services, the municipality identifies all costs of operation of undertakings concerned, including the following: Costs of bulk purchases, distribution costs, losses, depreciation, maintenance of fixed assets, administration and service costs, costs of approved indigent relief measures and intended surplus.
- The tariffs levied for domestic water consumption shall escalate according to the volume of water consumed.
- Tariffs for non-domestic water consumption shall be based on each kilolitre consumed, irrespective of the volume of consumption concerned.
- Tariffs for pre-paid meters shall be the same as ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied. It depends on the NER.

### **✓ TRADING SERVICES**

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like a business. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised. Examples of these services include water and electricity. The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose full costs includes:-

- Direct operating costs e.g. Salaries, allowances including overtime, materials used, repairs and maintenance, general expenses and plant and vehicle hire.
- Depreciation/capital charges based on usage, life of buildings, plant and equipment and infrastructure used.
- Financing outlays which include loan service costs.
- Allocated costs that include costs allocated through support services.

### **✓ ELECTRICITY TARIFFS**

#### **i) DOMESTIC TARIFF SCALES**

Free basic electricity for domestic consumers will be granted using both conventional and pre-paid meters. Free electricity will only be applicable to that specific month and will not be carried over to a following month. Qualifying consumers using pre-paid meters will not receive the free basic supply of electricity for months in which no energy is purchased.

#### **A DOMESTIC SINGLE- OR THREE-PHASE: CONVENTIONAL OR PREPAID: STANDARD SUPPLY**

Subject to any additional charges contained in PART II of the Tariff and to the exceptions set out in group (x), this scale will apply to premises situated within legally established townships where electrical power is supplied at low voltage to the following groups of consumers with a main circuit-breaker size of not more than 80 amperes per phase in the case of a single-phase, two-phase or three-phase connection, provided that where a three-phase connection is supplied to the premises and the rating of the consumer's main circuit- breaker is more than 60 amperes per phase, the Director Technical Services may determine that the Low Voltage Three phase Demand Scale will apply (two-phase connections are not available for new connections and the tariff is only applicable to existing two-phase connections):

- a. A residential unit
- b. A boarding house, schools
- c. A flat
- d. A non-profitable nursing home
- e. A charitable institution/home
- f. A hostel
- g. A church or church hall used exclusively for public worship
- h. A club, other than a club licensed under any liquor act
- i. A pumping plant where the water pumped is used exclusively for domestic purposes on premises receiving a supply under this scale of the Tariff
- j. A building or separate section of a building comprising a number of the foregoing groups or other units used exclusively for residential purposes, the consumption of which is separately metered by the Municipality for the determination of charges due under this scale
- k. Classes (d), (e) and (g) situated outside legally established townships
- l. Premises for which a written request was submitted to and approved by the Director Technical Services

For a connection with a conventional meter, the following charges are payable per month or part of a month:

Fixed demand charge

- An amount per month per metering point payable, whether or not electricity is consumed, according to the rating of the consumer's incoming circuit breaker in accordance with the following scale:

Where the rating of the circuit breaker is:

- a. Not more than 80 amperes **as annually determined by the Municipal Council**
- An energy charge for each kWh consumed since the previous meter reading, per kWh **as annually determined by the Municipal Council.**
  - For a connection with a prepaid meter: An energy charge for all kWh purchased, per kWh **as annually determined by the Municipal Council**

## DOMESTIC BULK: STANDARD SUPPLY

Subject to any additional charges contained in PART II of the Tariff, this scale will apply in respect of premises situated within legally established townships (unless explicitly otherwise determined by the Director Technical Services within and outside the municipal boundaries where electricity is supplied in bulk at low voltage or high voltage, to the following classes of consumers:

A Body Corporate or the authorized reselling agent of a bulk residential complex who purchases electricity only for resale to residential dwelling-units on the same premises at the prescribed tariffs of the Municipality and where such consumption is determined by means of conventional or pre-paid sub-meters. Residential complexes include blocks of flats, including separate units in terms of the Sectional Titles Act, 1971 (Act 66 of 1971), and the Sectional Titles Act, 1986 (Act 95 of 1986), but exclude premises with only a second dwelling-unit.

The following charges will be payable per month or part of a month:

- (i) An active energy charge for all kWh consumed during peak periods since the previous meter reading, per kWh, **as annually determined by the Municipal Council**
- (ii) An active energy charge for all kWh consumed during standard periods since the previous meter reading, per kWh **as annually determined by the Municipal Council**
- (iii) An active energy charge for all kWh consumed during off-peak periods since the previous meter reading, per kWh **as annually determined by the Municipal Council**

## LIFELINE: PREPAID (CUSTOMER MUST BE LISTED ON INDIGENT REGISTER)

- a) Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within legally established townships where electrical power is supplied at low voltage to the following groups of consumers with a main circuit breaker size of not more than 40 amperes in the case of a single-phase connection, where a lifeline connection has been taken that is metered by a prepaid meter:
  - i) A residential unit
  - ii) A flat
- b) Energy charge

For all kWh consumed since the previous meter reading, per kWh, **as annually determined by the Municipal Council**

(c) Plus repayment for the Lifeline electricity connection charge  
An additional charge for all kWh consumed, per kWh **as annually determined by the Municipal Council**. Total cost for all kWh consumed since the previous meter reading, per kWh **as annually determined by the Municipal Council**

## **AGRICULTURAL HOLDINGS: CONVENTIONAL OR PREPAID**

Subject to any additional charges contained in PART II of the Tariff and excluding remises falling under group (x) of the Domestic Single- and three-phase:

Conventional or Prepaid, Lifeline: Prepaid or under the Low Voltage Three-phase Demand Scale, this scale will apply to premises situated outside legally established townships within or outside the municipal boundaries, and to which electricity is supplied or made available at low voltage, with a main circuit-breaker size of not more than 60 amperes per phase in the case of a single-phase or three-phase connection.

For a connection with a conventional or a connection with a prepaid meter, the following charges will be payable per month or part of a month:

An energy charge for each kWh consumed since the previous meter reading, per kWh **as annually determined by the Municipal Council**

## **B NON DOMESTIC / BUSINESS TARIFF SCALES**

### **NON-DOMESTIC SINGLE-PHASE: CONVENTIONAL**

Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within legally established townships where electrical power is supplied at low voltage to the following groups of consumers, with a main circuit breaker size of not more than 80 amperes in the case of a single-phase connection:

- a. A shop, store or business
- b. An office block
- c. A hotel licensed under the Liquor Act
- d. A bar
- e. A café, tearoom or restaurant
- f. A combined shop and tearoom
- g. A public hall
- h. A club licensed under the Liquor Act
- i. An industrial, manufacturing concern or service industry
- j. An educational institution, excluding a hostel, if metered separately
- k. A building or section of a building comprising a number of the above classes
- l. All consumers not defined under other scales of the Tariff

### **Fixed demand charge**

- An amount per month per metering point payable, whether or not electricity is consumed, according to the rating of the consumer's incoming circuit breaker in accordance with the following scale:

Where the rating of the circuit breaker is:

- Not more than 80 amperes **as annually determined by the Municipal Council**  
For the purpose of this item "circuit breaker" means a double-pole circuit breaker or a neutral switch/circuit breaker combination.

### **Energy charge**

- For all kWh consumed since the previous meter reading, per kWh **as annually determined by the Municipal Council**

## **NON-DOMESTIC THREE-PHASE: CONVENTIONAL**

Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within legally established townships where electrical power is supplied at low voltage, with a main circuit-breaker size of not more than 150 amperes per phase in the case of a three-phase connection, to the groups of consumers listed in item (a) up to and including (I) in the preamble to the Non-domestic Single-phase: Conventional scale.

### **Fixed demand charge**

An amount per month per metering point payable, whether or not electricity is consumed, according to the rating of the consumer's incoming circuit breaker in accordance with the following scale:

Where the rating of the circuit breaker is:

- Not more than 80 amperes **as annually determined by the Municipal Council**  
For the purpose of this item, "circuit breaker" means a triple-pole circuit breaker.

### **Energy charge**

- For all kWh consumed since the previous meter reading, per kWh **as annually determined by the NERSA**

## **NON-DOMESTIC PREPAID**

Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within legally established townships where electrical power is supplied at low voltage, with a main circuit-breaker size of not more than 80 amperes per phase in the case of a single or three-phase connection, to the groups of consumers listed in item (a) up to and including (I) in the preamble to the Non-domestic Single Phase: Conventional scale

### **Energy charge**

- An energy charge for all kWh purchased, per kWh **as annually determined by the NERSA**



## LOW VOLTAGE THREE-PHASE DEMAND SCALE

Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within and outside the municipal boundaries for electricity supplied or made available at low voltage, with an annual average metered load of more than 50 kVA to the groups of consumers listed in item (a) up to and including (I) in the preamble to the Non-domestic Single-phase: Conventional scale. In the event where the actual average annual demand is below 50kVA, the Director Technical Services has the authority to convert the consumer to the applicable tariff.

The following charges will be payable per month or part of a month:

- (i) A fixed charge, whether or not electricity is consumed, per metering Point **as annually determined by the Municipal Council**
- (ii) A demand charge per kVA of half-hourly maximum demand: Provided that the amount payable in respect of the maximum demand in any month will not be less than the prevailing tariff multiplied by 60% of the highest demand recorded during the preceding twelve months **as annually determined by the Municipal Council**. Where the metered period exceeds the normal 1 month (approx 30 days) period, demand will be charged per 30 days period on the actual metered demand where available. Consumers with meters that do not store meter history will be charged at 60% of the highest demand recorded during the preceding twelve months.
- (iii) An energy charge for all kWh consumed since the previous meter reading, per kWh **as annually determined by the Municipal Council**.

## LOW VOLTAGE THREE-PHASE DEMAND SCALE: TIME OF USE

- a) Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within and outside the municipal boundaries for electricity supplied or made available at low voltage, with an annual average metered load of more than 50 kVA and load shifting to defined time periods can be arranged, to the groups of consumers listed in item (a) up to and including (I) in the preamble to the Non-domestic Single-phase: Conventional scale. In the event where the actual average annual demand is below 50kVA, the Director Technical Services has the authority to convert the consumer to the applicable tariff.
- b) The following charges will be payable per month or part of a month:
  - (i) A fixed charge, whether or not electricity is consumed, per metering point **as annually determined by the Municipal Council**
  - (ii) A demand charge per kVA of half-hourly maximum demand payable in peak and standard periods on weekdays and Saturdays **as annually determined by the NERSA**

- (iii) An active energy charge for all kWh consumed during peak periods since the previous meter reading, per kWh **as annually determined by the NERSA**
- (iv) An active energy charge for all kWh consumed during standard periods since the previous meter reading, per kWh **as annually determined by the NERSA**
- (v) An active energy charge for all kWh consumed during off-peak periods since the previous meter reading, per kWh **as annually determined by the NERSA**

## 11kV SUPPLY SCALE

- a) Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within or outside the municipal boundaries where electrical power is supplied at 11 000 V.
- b) Unless the Director technical Services determines otherwise, this scale will only be available for premises with an average metered load of more than 200 kVA. In the event where the actual average annual demand is below 200kVA, the Director Technical Services has the authority to convert the consumer to the applicable tariff.

The following charges will be payable per month or part of a month:

- (i) A fixed charge, whether or not electricity is consumed, per metering point **as annually determined by the NERSA**
- (ii) A demand charge per kVA of half-hourly maximum demand: Provided that the amount payable in respect of the maximum demand in any month will not be less than the prevailing tariff multiplied by 70% of the highest demand recorded during the preceding twelve months **as annually determined by the NERSA**
- (iii) An energy charge for all kWh consumed since the previous meter reading, per kWh **as annually determined by the NERSA**

## 11kV SUPPLY SCALE: TIME OF USE

- a) Subject to any additional charges contained in PART II of the Tariff, this scale will apply to premises situated within or outside the municipal boundaries where electrical power is supplied at 11 000 V and load shifting to defined time periods can be arranged.
- b) The following charges will be payable per month or part of a month:
  - (i) A fixed charge, whether or not electricity is consumed, per metering point **as annually determined by the NERSA**
  - (ii) A demand charge per kVA of half-hourly maximum demand payable in peak and standard periods on weekdays and Saturdays **as annually determined by the NERSA**
  - (iii) An active energy charge for all kWh consumed during peak periods since the previous meter reading, per kWh, in

High demand season (June-August) **as annually determined by the NERSA**

Low demand season (September-May) **as annually determined by the Municipal Council**

- (iv) An active energy charge for all kWh consumed during standard periods since the previous meter reading, per kWh

## **PART II**

### **Water Tariffs**

- The following categories of water consumers will be charged applicable tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Tariff for domestic consumption shall be charged for actual water consumed at a stepped tariff per kilolitre as determined by Council.
- Tariffs for non-domestic water consumption shall be based on each kilo liter consumed, irrespective of the volume of consumption concerned at a stepped tariff per kilolitre as determined by Council.
- A monthly availability charge per meter installed/business, as determined by Council, shall be charged on all water consumers (except for registered indigents). The owner of the erf on which such charges are raised will be liable to pay the charges levied for each individual business. Tenants will only be liable for consumption charges.
- The Municipality's departmental water consumption will be charged at cost.

### ***Rates and General Services***

This service is further classified into 3 categories i.e. economic, subsidized and community services.

#### ***Economic Service***

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit e.g. trade effluent includes commercial and industrial refuse removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:-

- Full cost of providing the serviced as explained in Trading Services above.
- The rate per unit is based on projected usage.

#### ***Subsidised Services***

These are services for which tariffs are fixed in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit

from using the service, but also other person. Therefore, user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include fire fighting, approval of building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions.

### ***Refuse Removal Tariffs***

- The following categories of refuse removal users will be charged applicable fixed monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Domestic and other users (once weekly removal).
- Business and other users (daily removal)
- Municipality's monthly departmental charge shall be equal to the lowest tariff.
- The owners of erven will be liable to pay for the charges for each individual unit.

### ***Sewerage Tariffs***

- The following categories of sewerage users will be charged applicable monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- A monthly basic (availability) charge shall be charged on undeveloped erven (vacant stand), irrespective of their permitted or intend of use.
- Fixed monthly charge shall be charged for domestic users.
- A fee shall be payable by factories and other industrial users where waste water emanating from such users requires special purification.
- Municipality's monthly departmental charge shall be equal to the lowest tariff.
- The owners of erven will be liable to pay for the charges of each individual unit.

### ***Community Services***

Community services are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates.

These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

In addition to the above services domestic refuse and sewage removal is also a community service provided directly to all the residents and for which costs form part of a balanced budget. The Municipality also provides support services such as committee services, records and archives, financial management accounting and

stores, occupational health and human resources management, which are financed through property rates.

### ***Housing and Hostel Services***

These are usually grouped into three categories, namely, letting schemes, selling schemes and hostels. All income and expenditure transactions in respect of such schemes fall into this category and the objective of the service is to be economic i.e. the operating income should cover the operating expenditure. In addition these functions are being carried out on an agency basis as these are not deemed as Local Government functions.

## **Minor Tariffs**

- The following minor services will be charged applicable monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Minor services where tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses, namely;
  - Burials and cemeteries
  - Rentals for the use of municipal sports facilities
- Minor services where tariffs levied shall cover 100% or as near as possible to 100% of the annual operating expenses, namely;
  - Maintenance of graves
  - Housing rentals
  - Rental for use of municipal halls
  - Building plan fees
  - Sales of plastic refuse bags
  - Cleaning of stands
  - New connection fees (Electricity, Water and Sewerage)
  - Sales of livestock and plants
  - Photostat copies and fees
  - Clearance certificates
- Minor services where no tariffs shall be levied for their use, namely;
  - Disposal of garden refuse at the municipal tip site
  - Municipal lending library (except for fines)
  - Municipal parks and open spaces
- The following charges shall be considered as regulatory or punitive;
  - Fine for lost or overdue library books
  - Advertising sign fees
  - Pound fees
  - Auction pen
  - Electricity disconnection and reconnection fees
  - Penalty and charges imposed in terms of debt collection policy
  - Penalty for dishonoured and unacceptable cheques
  - Fines and penalties for littering and other offences

## **Policy Proposal**

### ***A minimum amount of basic services must be free***

The Municipality subscribes to the policy that all poor households are entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. These services include:

- ✓ Potable water
- ✓ Domestic wastewater and sewage removal

- ✓ Domestic refuse removal and
- ✓ Electricity.

## **CONCLUSION**

The terms of the above policy is that once it is adopted, it would in respect of Section 75(1) (b) of the MFMA be made available to the public/on the website referred to. In addition to Section 21 A of the MSA this policy will be reviewed annually and adopted by Council before the Budgets are finalized.